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MINUTES OF THE REGULAR MEETING
OF THE BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII
HELD ON TUESDAY, OCTOBER 11, 2011; 9:30 A.M.
CITY FINANCIAL TOWER, 201 MERCHANT STREET, SUITE 1935
HONOLULU, HAWAII

ROLL CALL

Trustees present:

Mr. Colbert Matsumoto, Chair
Ms. Jackie Ferguson-Miyamoto
Mr. Emmit Kane
Mr. Vincent Barfield
Ms. Pili aloha Lee Loy
Mr. Wayne Yamasaki

Trustees excused:

Mr. Jerome Rauckhorst
Mr. Kalbert K. Young

Attorneys:

Ms. Diane Kishimoto, Deputy Attorney General
Mr. Brian Aburano, Deputy Attorney General

Staff:

Mr. Wesley Machida, Administrator
Ms. Kanoe Margol, Assistant Administrator
Mr. Rodney June, Chief Investment Officer
Mr. Vijoy Chattergy, Investment Specialist
Ms. Gerri Konishi, Member Home Loan Assistant
Ms. Donna Curry, Program Specialist
Ms. Jaime Hirata, Recording Secretary
Ms. Wanda Kugiya, Secretary

Guests:

Ray Iwamoto, Esq., Schlack Ito
Mr. Jim Proud, Heitman (via conference call)
Mr. Paul Rezents, Heitman (via conference call)
Ms. Nanea Kalani, Civil Beat
Ms. Toni Symons, Hawaii State Teachers Association (HSTA)

QUORUM

A quorum being present, Chair Matsumoto called the meeting to order at 9:30 a.m.

(Ray Iwamoto, Esq. joined the meeting.)

EXECUTIVE SESSION

On a motion made by Ms. Lee Loy, seconded by Mr. Yamasaki, and unanimously carried, the Board entered into Executive Session:

- Pursuant to HRS § 92-5(a)(8), to consider and if appropriate, make a decision on a Hawaii real estate investment opportunity

- Pursuant to HRS § 92-5(a)(8), to consider, evaluate, and make decisions on responses to the Request for Proposals for Investment Consultant Services

(Mr. Jim Proud and Mr. Paul Rezens from Heitman joined the meeting via conference call from San Francisco, California.)

EXECUTIVE SESSION TO MAKE A DECISION ON A HAWAII REAL ESTATE INVESTMENT OPPORTUNITY

(The conference call with Heitman ended and Mr. Iwamoto left the meeting.)

EXECUTIVE SESSION TO MAKE DECISIONS ON RESPONSES TO THE REQUEST FOR PROPOSALS FOR INVESTMENT CONSULTANT SERVICES

On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board emerged from Executive Session.

(Reporter from Civil Beat, Ms. Nanea Kalani, and HSTA Agent, Ms. Toni Symons entered the meeting room.)

NEW BUSINESS

UPDATE ON THE 2012 LEGISLATIVE BILLS AND PROPOSALS AFFECTING THE EMPLOYEES' RETIREMENT SYSTEM

The Administrator reported on the Administration's 2012 legislative proposals affecting the ERS:

- (1) BUF-02(12) -- Housekeeping amendments to 2011 benefit restructure
- (2) BUF-03(12) -- Anti-spiking
- (3) BUF-04(12) -- Trustee investment experience requirement

Chair Matsumoto recommended that the Legislative Committee meet to review the proposals and to recommend changes to the proposals.

ADMINISTRATOR'S REPORT ON THE EMPLOYEES' RETIREMENT SYSTEM ACTION PLAN

The Administrator provided an update on his Action Plan as of October 11, 2011:

- in process of reviewing operational requirements for benefit changes – changes to computer system could be expensive
- submitted an advertisement for a request for proposals for an internal audit consultant

(Ms. Kalani and Ms. Symons left the room and did not return for the remainder of the meeting.)

AMENDMENT OF THE AGENDA

On a motion made by Mr. Barfield, seconded by Mr. Yamasaki, and unanimously carried, the Board amended the agenda to include the following item in Executive Session:

- Pursuant to HRS § 92-5(a)(4) and (8) to consider, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities regarding, the Actuary's preliminary findings regarding proposed legislation affecting the ERS funded status.

On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board amended the agenda to include the following item in Executive Session:

- Pursuant to HRS § 92-5(a)(4) and (8), to consider, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities regarding, organizational changes affecting an ERS investment management firm.

EXECUTIVE SESSION

On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board entered into Executive Session:

- Pursuant to HRS § 92-5(a)(4) and (8) to consider, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities regarding, the Actuary's preliminary findings regarding proposed legislation.
- Pursuant to HRS § 92-5(a)(4) and (8), to consider, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities regarding, organizational changes affecting an ERS investment management firm.

EXECUTIVE SESSION TO CONSIDER,
AND TO CONSULT WITH THE BOARD'S
ATTORNEYS REGARDING, THE
ACTUARY'S PRELIMINARY FINDINGS
REGARDING PROPOSED LEGISLATION

EXECUTIVE SESSION TO CONSIDER,
AND TO CONSULT WITH THE BOARD'S
ATTORNEYS REGARDING,
ORGANIZATIONAL CHANGES
AFFECTING AN ERS INVESTMENT
MANAGER

AMENDMENT OF AGENDA

TERMINATION OF INVESTMENT
MANAGER GOLDMAN SACHS ASSET
MANAGEMENT, L.P.

MEETING ADJOURNED

REDACTED

Wesley K. Machida
Administrator

WKM:jh

On a motion made by Ms. Lee Loy, seconded by Mr. Yamasaki, and unanimously carried, the Board emerged from Executive Session.

On a motion made by Ms. Lee Loy, seconded by Mr. Yamasaki, and unanimously carried, the Board amended the agenda to include the following item under New Business:

- Termination of Investment Manager Goldman Sachs Asset Management, L.P.

On a motion made by Ms. Lee Loy, seconded by Mr. Yamasaki, and unanimously carried, the Board:

- Authorized termination of Goldman Sachs Asset Management, L.P. (GSAM) on thirty-days notice;
- Transfer of the GSAM portfolio to Mellon Capital's large cap equity fund pending retention of a large cap growth manager or managers; and
- Issuance of a request for information for active and passive large cap growth managers.

On a motion made by Ms. Lee Loy, seconded by Mr. Yamasaki, and unanimously carried, the Board adjourned the meeting at 11:55 a.m.